



TERMS OF REFERENCE

PPP Computation Task Force (CoTaF)

1 Background and Introduction

The International Comparison Program (ICP) is a worldwide statistical initiative to collect comparative price data and estimate purchasing power parities (PPPs) of the world's principle economies. Using PPPs instead of market exchange rates to convert currencies makes it possible to compare the output of economies and the welfare of their inhabitants in real terms - that is, controlling for differences in price levels.

PPPs and related ICP results are calculated within each region using a two-stage process. The resulting regional PPPs will be combined into global PPPs in another two-stage process which requires scaling factors based on the prices of global core items.

In its efforts to increase the data quality and reliability of the program and make ICP a transparent process, an ICP-QAF was developed whereby all critical processes for the calculation of the within-region and inter-region results will be documented ex-ante and updated ex-post. The documentation will include the calculation of national annual average prices, the intra-country and inter-country validation of prices and expenditure values, the calculation of regional PPPs, the specific validation of the prices of core items, the computation of regional linking factors, and the aggregation of regional PPPs into global results. An inventory of best practices and guidelines for these processes should also be made. In view of the above, a PPP Computation Task Force (CoTaF) was established at its first meeting on October 20, 2010, in Washington DC.

2 Membership and meetings

The CoTaF membership includes ICP experts versed in the computation of PPPs at regional or global levels.

The Task Force resolved that it will meet at the fringe of the TAG meetings, and its members who would not be in the city where the meeting will take place should be sponsored to attend if they are available. Between meetings, the work of the task force will be carried on via email. Papers can be commissioned on PPP computation issues and submitted to the TAG and the Task Force if needed.

Regional Coordinators (or their nominees) will be invited to attend task force meetings as observers.

3 Objectives

The overall objective of the CoTaF is to support the Global Office in ensuring that the ICP results at regional and global levels are computed in full accordance with the methods recommended by the Technical Advisory Group (TAG).

The specific objectives are to:



- thoroughly review the ICP global results before PPP data are published by any region, to ensure that the computation methods are sound and that all procedures used are transparent and fully documented; and
- ensure the soundness, consistency, and transparency of the various processes related to the validation of input and output data, the imputation of missing input data and the estimation of results for non benchmark countries.

4 Tasks to be carried out

The tasks of the CoTaF members include providing inputs to and advice on the various technical aspects related to the objectives of the Task Force.

The tasks will include but not be limited to:

1. Translating TAG recommended methods on the computation of ICP within-region and inter-region results into practical and operational procedures to be strictly adhered to by the Regional Coordinators and the Global Office;
2. Helping the Global Office prepare a detailed documentation on these procedures;
3. Discussing any issues arising from the implementation of the established procedures and recommending the appropriate technical solutions. Any theoretical issues related to the PPP aggregation methods will be directed to the TAG;
4. Identifying PPP computation issues for which practical recommendations will be made to the Global Office and/or the regional coordinators;
5. Reviewing the regional and global PPP results against the backdrop of the established procedures and updating the computation documentation where applicable;
6. Advising the Global Office in developing the appropriate computation tools (software modules, EXCEL macros, SAS procedures, etc.) or using existing tools;
7. Assisting the Global Office in the computation of the Global results;
8. Providing technical assistance to the regional coordinators on the computation of their within-region results, on a need basis;
9. Preparing/reviewing detailed documentation on the ICP computation processes;
10. Reviewing the regional and global results of the 2011 round in relation to the 2005 results.

5 Time Frame

The CoTaF will support the ICP Global Office until the end of the 2011 round. The Global Office will submit the CoTaF reports to the TAG.